FEDERAL RESERVE BANK
OF DALLAS

Dallas, Texas, September 24, 1941

RESERVES REQUIRED TO BE MAINTAINED BY MEMBER BANKS WITH FEDERAL RESERVE BANKS

To the Member Banks of the
Eleventh Federal Reserve District:

There is enclosed a supplement to Regulation D adopted on September 23, 1941, by the Board of Governors of the Federal Reserve System, which increases the reserves member banks are required to maintain with their Federal Reserve banks, effective at the opening of business on November 1, 1941. Member banks are requested to withdraw from their ring binders the previous supplement to Regulation D which is revoked and superseded, and to insert the enclosed supplement in lieu thereof.

Simultaneously with the adoption of the supplement, the Board of Governors issued the following press statement regarding its action:

> "As a further step in the Government's program for combating inflation, the Board of Governors of the Federal Reserve System, after consultation with the Secretary of the Treasury, has today increased reserve requirements for member banks to the present statutory limit, effective November 1. This action, unanimously agreed upon, increases reserve requirements by about one-seventh.
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> "The requirements beginning on that date will be: for demand deposits, 26 per cent at central reserve city banks, 20 per cent at reserve city banks, and 14 per cent at country banks; for time deposits, 6 per cent at all classes of member banks. This action will result in a reduction of excess reserves from about $5,200,000,000 to about $4,000,000,000 for member banks taken as a whole. At central reserve city banks excess reserves will be reduced approximately from $2,400,000,000 to $1,700,000,000; at reserve city banks from $1,850,000,000 to $1,500,000,000, and at country banks from nearly $1,000,000,000 to $800,000,000.
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> "The action will leave the banks as a whole with ample funds to meet all bank credit needs of the Defense Program and all legitimate requirements of their customers. A survey made recently by the Board showed that a large majority of the member banks will be able to meet the increased requirements out of existing excess reserves and all but a few of the remainder by drawing upon a portion of their deposits with city correspondents.
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> "The Board determined that penalties for deficient reserves prior to December 1, 1941 shall be based upon reserve requirements in effect October 31, 1941."

The following table compares the new requirements with present requirements which have been in effect since April 16, 1938:

CLASSES OF DEPOSITS AND BANKS	Present Requirements Per cent	New Requirements Per cent
On net demand deposits:		
Central reserve city banks	22¾	26
Reserve city banks	17½	20
Country banks	12	14
On time deposits:		
All member banks	5	6

In connection with the action taken to increase reserve requirements, the Secretary of the Treasury and the Chairman of the Board of Governors issued the following statement in which the other members of the Board of Governors concurred:

> "The Treasury and the Board of Governors will continue to watch the economic situation and to cooperate with other agencies of the Government in their efforts, through priorities, allocations, price regulation, and otherwise, to fight inflation. Recommendations on the question of what additional powers, if any, over bank reserves the Board should have during the present emergency and what form these powers should take will be made whenever the Treasury and the Board, after further consultation, determine that such action is necessary to help in combating inflationary developments."

The penalties prescribed by section 3(b) of Regulation D on deficiencies occurring prior to December 1, 1941, will be assessed on the basis of the reserve requirements in effect immediately prior to the adoption of this supplement.

Yours very truly,

R. R. GILBERT

President